

TABLE 16. ENERGY CREDIT PROGRAMS BASELINE
(By fiscal year, in millions of dollars)

Program	1984	CBO Baseline Estimates					
	Actual	1985	1986	1987	1988	1989	1990
Direct Loan Obligations							
Rural Electrification Administration (REA)	1,079	1,100	1,114	1,142	1,190	1,240	1,292
REA Direct Loans from FFB	1,002	1,325	1,342	1,376	1,434	1,494	1,556
Tennessee Valley Authority (TVA)	60	83	90	92	96	100	104
TVA Direct Loans from FFB	137	90	87	73	---	---	---
Geothermal Resource Development	---	25	---	---	---	---	---
Bonneville Power Administration	<u>40</u>	<u>40</u>	<u>40</u>	<u>42</u>	<u>43</u>	<u>45</u>	<u>47</u>
Total	2,318	2,668	2,673	2,725	2,763	2,879	2,999
Loan Guarantee Commitments							
Synthetic Fuels Corporation	---	---	4,000	---	---	---	---
Geothermal Resource Development	<u>6</u>	<u>85</u>	<u>80</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	6	85	4,080	---	---	---	---
Financing Transactions ^{a/}							
REA Sale of Loan Assets to the FFB ^{a/}	69	164	311	321	337	354	380
REA Guaranteed Loans Financed as Direct Loans by the FFB	1,002	1,325	1,342	1,376	1,434	1,494	1,556
TVA Guaranteed Loans Financed as Direct Loans by the FFB	137	90	87	73	---	---	---

SOURCE: Congressional Budget Office.

- a. Agency loan asset sales are guaranteed by the agencies. These financing transactions are recorded as direct loans by the FFB to the agency and as guarantees of loan assets by the agency. Both transactions are for financing purposes and are not included in the direct and guaranteed loans to the public to avoid double counting.

FFB to finance its lending, with TVA guaranteeing the indebtedness through purchase agreements. The CBO baseline projections for the corporation's borrowing from the FFB are \$90 million in 1985, \$87 million in 1986, \$73 million in 1987, and nothing thereafter (see Table 16). Rollovers of existing loans have been excluded from both CBO's and the Administration's numbers.

TVA also has a direct loan program for making low-interest loans for conservation through utilities serving the borrowers. TVA is then paid back through these utilities. CBO's baseline projection is \$90 million in new direct loan obligations in 1986, increasing to \$104 million by 1990.

TABLE 17. ENERGY CREDIT PROGRAMS: LOAN CHARACTERISTICS FOR FISCAL YEAR 1984

Program	Interest Rate (Percent)		Term (Years)		Subsidy as a Percent of Principal
	Average Government Loan	Estimated Private Loan	Average Government Loan	Estimated Private Loan	
Direct Loans					
Rural Electri- fication Admin- istration (REA)					
Electric	11.6	14.6	35	15	39.6
Telephone	5.0	14.6	35	15	41.7
REA-FFB					
Electric	11.6	15.1	35	3	18.1
Telephone	11.6	14.6	35	15	16.7
Tennessee Valley Authority - - FFB	12.0	14.6	30	15	12.1

SOURCE: Congressional Budget Office. Subsidy estimates are taken from Special Analysis Tables 11 and 12 and OMB backup materials.

Synthetic Fuels Corporation

CBO assumes that \$4.0 billion in loans will be guaranteed by the Synthetic Fuels Corporation in 1986. The corporation has the discretion to provide assistance in the form of purchase agreements, price guarantees, and direct and guaranteed loans.

Bonneville Power Administration

The Bonneville Power Administration provides direct loans for energy conservation. These loans are made through the power distribution companies serving borrowers for the purpose of promoting residential conservation measures. The cost of interest is included in the rates charged to all power recipients, since energy conservation is perceived as a general benefit to the Bonneville system.

In 1984, a limit of \$40 million was enacted for new direct loan obligations, only \$770,000 of which was obligated. CBO's baseline projection for 1985 is \$40 million, increasing to \$47 million by 1990. The Administration has requested a limit of \$20 million for 1986 and would hold the program at that level through 1990.

Geothermal Resources Development

The geothermal resources development program provides loan guarantees to assist the private sector in developing geothermal resources by minimizing lender's financial risk associated with the introduction of new technology. The CBO baseline estimate for new loan guarantee commitments is \$85 million in 1985 and \$80 million in 1986.

TABLE 18. RURAL ELECTRIFICATION AND TELEPHONE
REVOLVING FUND: IMPACT OF THE PRESIDENT'S
REQUEST RELATIVE TO THE CBO BASELINE
(By fiscal year, in millions of dollars)

Program	1986	1987	1988	1989	1990	Cumulative Five-Year Changes
Direct Loan Obligations						
Non-Federal Financing Bank (FFB)	-539	-707	-900	-1,095	-1,292	-4,533
FFB	<u>-1,042</u>	<u>-1,151</u>	<u>-1,284</u>	<u>-1,419</u>	<u>-1,556</u>	<u>-6,450</u>
Total	-1,581	1,858	-2,184	-2,514	-2,848	-10,985
Subsidy Costs						
Non-FFB	-512	-547	-592	-639	-687	-2,977
FFB	<u>-187</u>	<u>-206</u>	<u>-230</u>	<u>-255</u>	<u>-279</u>	<u>-1,158</u>
Total	-699	-753	-822	-894	-966	-4,135
Outlays						
Total	---	-500	-1,200	-1,600	-2,000	-5,200

SOURCE: Congressional Budget Office.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

Baseline assumptions for this function cover one direct loan program: the Interior Department's water resources loan program. Table 19 shows new direct loan obligations for this program.

The Small Reclamation Projects Act provides authorization for loans to irrigation districts and other public agencies for construction or rehabilitation of small water resource projects. The Distribution Systems Loan Act provides loans to organizations for the construction of irrigation and municipal or industrial waste distribution systems on authorized federal reclamation projects. The Administration requested \$40 million for this program in 1986, and proposes phasing down the program to \$1 million in 1990, a total reduction of \$269 million over the period.

The Administration requested \$9,000 in new loan obligations for the reconstruction of the Filene Center at Wolf Trap Farm Park for the Performing Arts for 1985--the remainder of the \$8 million authorized. It also requested direct loans of \$5.6 million in 1985 and \$11.2 million in 1986 for Environmental Protection Agency abatement, control, and compliance activities. No new funds were included in the CBO baseline for either activity.

TABLE 19. NATURAL RESOURCES AND ENVIRONMENT
CREDIT PROGRAMS BASELINE
(By fiscal year, in millions of dollars)

Program	1984	CBO Baseline Estimates					
	Actual	1985	1986	1987	1988	1989	1990
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Direct Loan Obligations							
Bureau of Reclamation Loan Program	44	68	71	73	76	78	81

SOURCE: Congressional Budget Office.

FUNCTION 350: AGRICULTURE

Credit assistance for agriculture consists of loans and loan guarantees of the Farmers Home Administration's Agriculture Credit Insurance Fund (ACIF) and the Commodity Credit Corporation (CCC), both in the Department of Agriculture. Table 20 shows new direct loan obligations and new loan guarantee commitments by the ACIF and the CCC in fiscal years 1984-1990.

Agriculture Credit Insurance Fund

The Farmers Home Administration (FmHA) finances direct loans and guarantees for purchasing, operating, and improving farms. Emergency disaster loans are also provided to assist recovery from natural disasters, including compensation for loss of income from reduced crop yields. Most borrowers are not acceptable credit risks for commercial or farm credit banks. Although the average ACIF loan conveys a subsidy of about 27 percent of principal, this average is significantly raised by the 52.5 percent subsidy on emergency disaster loans, which may bear interest as low as 5 percent for terms of up to 40 years (see Table 21). Under the CBO baseline, ACIF lending would average \$5 billion annually, and new guarantees would average \$800 million. The average subsidy on guarantees is estimated to be 4 percent of principal.

The President proposes to limit direct loans to \$400 million in 1986 and to reduce the ceiling \$100 million per year until 1990 when direct lending would be halted. Guarantees for farm operating loans would be increased to \$3 billion, but the guarantee would be limited to 70 percent of principal--rather than the current 100 percent figure--and borrowers would be charged a 5 percent loan guarantee/origination fee. Emergency disaster loans would be available only where federal crop insurance is not available. Because federal all-risk crop insurance is currently available in virtually all counties of the United States, emergency lending would fall to insignificant levels--a five-year reduction of \$9.7 billion.

If adopted, the President's proposal would significantly reduce ACIF activity and shift it away from deep-subsidy direct lending. Total assisted credit would decline by more than \$2 billion per year (see Table 22). Outlay reductions would also exceed \$4 billion per year, and subsidy costs would drop to about \$50 million annually from the current rate of \$1.3 billion.

Commodity Credit Corporation

The two major credit activities of the Commodity Credit Corporation (CCC) are price-support, nonrecourse direct loans to producers, and guarantees of loans made to finance U.S. agricultural exports. CCC price-support "loans" are more closely related to purchase agreements than to pure credit transactions but are treated here as loans, for consistency with Administration practice. The CCC makes direct loans to producers, with the crop serving as collateral. On the maturity date of a loan, the borrower can either pay off the loan or forfeit the commodity collateral to the CCC. If the market price is near or below the loan support price, the farmer has an incentive to default. If the market price is above the loan support price, the farmer typically then sells the crop, pays off the loan, and pockets the difference. These loans are called nonrecourse because the government has no claim on the farmer other than the commodity collateral. The CCC's loss, therefore, depends on crop prices. OMB estimates that CCC commodity loans entail a subsidy of only 1.3 percent of principal. This small subsidy does not consider the nonrecourse provision, which would not be included in a private loan. The existence of the nonrecourse provision potentially converts the loan subsidy to a price support equal to the difference between the crop price and the level specified in the nonrecourse agreement. Export loan guarantees against defaults are also assigned a shallow subsidy of 2.9 percent.

The President proposes to set loan support prices at 75 percent of the three-year average price of the commodity and to limit nonrecourse crop loans to \$200,000 per farmer. An origination fee of 5 percent of the principal is proposed to be levied on export guarantees, and a small direct loan program for exports is to be terminated.

If the President's proposal is adopted, direct commodity loans would decline by an average of \$3.4 billion annually over 1987-1990. Lending would decline because price-support loan rates would fall relative to market prices, thus reducing farmers' incentives to use nonrecourse loans. Fiscal year 1986 lending would not be affected since the proposed changes begin with the 1986 crop year. New loan guarantees are projected to be \$1.5 billion per year lower over 1986-1990 because of the origination fee.

TABLE 20. AGRICULTURE CREDIT PROGRAMS BASELINE
(By fiscal year, in millions of dollars)

Program	1984	CBO Baseline Estimates					
	Actual	1985	1986	1987	1988	1989	1990
Direct Loan Obligations							
Agriculture Credit Insurance Fund	4,004	4,515	4,721	4,928	4,735	4,981	5,133
Commodity Credit Corporation (CCC) Price Support Loans	<u>5,278</u>	<u>9,275</u>	<u>9,677</u>	<u>8,652</u>	<u>8,127</u>	<u>8,072</u>	<u>7,919</u>
Total	9,465	13,790	14,398	13,580	12,912	13,053	13,102
Loan Guarantee Commitments							
Agriculture Credit Insurance Fund	443	706	738	770	802	836	871
CCC Export Credit Guarantees	<u>4,179</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total	4,622	5,706	5,738	5,770	5,802	5,836	5,871
Financing Transactions							
Agriculture Credit Insurance Fund Sale of Loan Assets to the FFB <u>a/</u>	6,805	6,209	4,389	2,395	1,918	4,674	3,847
Repurchase of Loan Assets	6,805	6,209	4,389	2,395	1,918	4,674	3,847

SOURCE: Congressional Budget Office.

- a. Agency loan asset sales are guaranteed by the agencies. These financing transactions are recorded as direct loans by the FFB to the agency and as guarantees of loan assets by the agency. Both transactions are for financing purposes and are not included in the direct and guaranteed loans to the public to avoid double counting.

TABLE 21. AGRICULTURE CREDIT PROGRAMS: LOAN CHARACTERISTICS FOR FISCAL YEAR 1984

Program	Interest Rate (Percent)		Term (Years)		Subsidy as a Percent of Principal
	Average Government Loan	Estimated Private Loan	Average Government Loan	Estimated Private Loan	
Direct Loans					
Agriculture Credit Insurance Fund					
Economic emergency	10.0	14.5	7	7	12.7
Emergency disaster	5.0	15.3	40	7	52.5
Farm operating	10.0	15.3	7	7	14.4
Farm ownership	10.4	14.5	40	25	27.7
Other	10.4	14.5	40	25	22.2
Commodity Credit Corporation					
Commodity loans	10.6	13.8	1	1	1.3
Export loans	11.5	14.9	3	1	4.8
Rescheduled loans	13.5	14.9	5	5	6.8
Storage facility loans	10.6	14.5	4	1	6.5
Primary Guaranteed Loans					
Agriculture Credit Insurance Fund:					
Economic emergency	13.8	15.2	7	7	3.7
Farm operating	13.2	14.5	7	7	3.2
Farm ownership	12.5	14.5	40	25	10.7
Commodity Credit Corporation					
Export credits	11.8	14.0	3	1	2.9

SOURCE: Congressional Budget Office. Subsidy estimates are taken from Special Analysis Tables 11 and 12 and OMB backup materials.

TABLE 22. AGRICULTURE CREDIT PROGRAMS: IMPACT OF THE
PRESIDENT'S REQUEST RELATIVE TO THE CBO BASELINE
(By fiscal year, in millions of dollars)

President's Proposals	1986	1987	1988	1989	1990	Cumulative Five-Year Changes
Direct Loan Obligations						
Agriculture Credit Insurance Fund (ACIF)	-4,321	-4,628	-4,585	-4,381	-5,133	-23,598
Commodity Credit Corporation (CCC)	---	-1,775	-3,556	-4,149	-4,187	-13,667
Total	-4,321	-6,403	-8,141	-9,030	-9,370	-47,265
Primary Guarantee Commitments						
ACIF	2,262	2,230	2,198	2,164	2,129	10,983
CCC	-1,500	-1,500	-1,500	-1,500	-1,500	-7,500
Total	762	730	698	664	629	3,483
Subsidy Costs						
Direct Loans						
ACIF	-1,197	-1,266	-1,242	-1,308	-1,375	-6,387
CCC	---	-28	-56	-66	-66	-216
Total	-1,197	-1,294	-1,298	-1,374	-1,341	-6,603
Guaranteed Loans						
ACIF	-7	-8	-9	-11	-12	-46
CCC	-81	-81	-81	-81	-81	-358
Total	-88	-89	-90	-92	-93	-404
Outlays						
ACIF	-4,400	-4,400	-4,000	-3,900	-3,800	-20,500
CCC	200	---	-1,700	-1,700	-1,400	-4,600
Total	-4,200	-4,400	-5,700	-5,600	-5,200	-25,100

SOURCE: Congressional Budget Office.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

These credit programs are designed to promote the flow of funds into commerce and housing. Programs include the mortgage insurance and purchase activities of the Department of Housing and Urban Development, the Rural Housing Insurance Fund of the Farmers Home Administration, the business loan programs of the Small Business Administration, the National Credit Union Administration, and other activities.

The CBO baseline estimates \$6.8 billion in new direct loan obligations and \$27.7 billion in new primary loan guarantee commitments for 1986. Table 23 summarizes the credit activity in this function for 1984 through 1990. The Administration's proposed decreases in direct loans in this function are estimated by CBO to total \$26 billion over the 1986-1990 period.

Federal Housing Administration (FHA)

The FHA revolving fund finances about 40 separate credit programs including the Section 203(b) home mortgage insurance plan. The only significant proposed change affecting these programs is to raise the mortgage insurance fee from 3.8 percent of principal to 5 percent. This increase is expected to eliminate the \$105 million annual subsidy on single-family mortgage guarantees and to increase revenue by \$400 million per year over the next five years.

The Administration estimates guaranteed loan commitments of \$30 billion in 1985, increasing to around \$40.5 billion in 1990. CBO estimates commitments of \$23 billion in 1985, increasing to \$32 billion in 1990.

Rural Housing Insurance Fund

The Rural Housing Insurance Fund (RHIF) finances some of the government's deepest subsidy loan programs. Home ownership loans with zero downpayment are made at 3 percent interest for 33 years, for example. The next largest category, after home ownership loans, consists of rental housing loans which can carry effective rates of 1 percent for 50-year terms (see Table 24). The average subsidy on RHIF loans is 67 percent of principal. Current lending is about \$3.2 billion per year, projected to reach \$4.0 billion in 1990 under current policy.

The President proposes to terminate Farmers Home Administration housing loans (except for those to finance essential repairs to existing occupied dwellings), to shift rural housing assistance to the Department of Housing and Urban Development, and to adopt a two-year moratorium on new assistance. If adopted, these measures would reduce subsidies by about \$2.5 billion per year for 1986 through 1990 and outlays by an average of \$3.4 billion a year over the same period.

Small Business Administration

The Small Business Administration (SBA) provides direct and guaranteed loans to small businesses, and guaranteed loans for pollution control equipment. OMB estimates that the average subsidy for SBA general business direct loans was 20.9 percent and for SBA general business guaranteed loans, 23.0 percent in 1984. The Administration has proposed to eliminate the SBA direct loan programs starting in 1986. This would reduce baseline direct loans, which include guarantee claims and loans made by the FFB to agency-guaranteed borrowers, by \$6.0 billion. In addition, SBA baseline primary guarantees would be reduced by \$13.1 billion over five years. CBO estimates the outlay savings from 1986 to 1990 to be \$4.5 billion (see Table 25). Assuming a constant subsidy level and mix of SBA programs in the baseline, the subsidy costs would be reduced by \$2.5 billion in direct loans and \$2.8 billion in guarantees over the five-year period.

MAJOR PROGRAM CHANGES PROPOSED BY THE ADMINISTRATION

Housing for the Elderly and Handicapped. The Administration has proposed a two-year moratorium on new direct loan commitments, decreasing obligations by \$573 million in 1986 and \$629 million in 1987. The subsidy savings from the moratorium are estimated to be \$146 million in 1986 and \$146 million in 1987.

Fisheries Loan Fund. Direct loans have been used to assist commercial fishermen in purchasing, repairing and outfitting boats. In the last two years, however, priority has been given to those borrowers who were in danger of default on federally guaranteed mortgages or on direct loans made by the Federal Ship Financing Fund. Loan interest rates average 3 percent. The Administration proposes eliminating direct loans on this account starting in 1986, when baseline obligations are estimated to be \$7 million.

Federal Ship Financing Fund--Fishing Vessels. Direct loans of this account are to forestall possible defaults and claims on defaulted mortgages. Interest rates on loans are the Treasury rate plus approximately 1 percent. The obligation level is to be reduced in 1986 and eliminated in 1987. Guaranteed loan commitments are proposed to be eliminated starting in 1986, representing a decrease from baseline levels of \$52 million.

Trade Adjustment Assistance. The Administration has proposed to rescind nearly all of the \$6.5 million in direct loan obligations appropriated for 1985, and not to extend direct loans thereafter. To qualify for direct loans, a firm must demonstrate that imports of competitive goods have contributed both to declines in sales or production and to the release of a significant portion of the firm's employees. Direct loans are used to supply working capital for the implementation of methods to increase a firm's competitiveness. Interest rates on these loans are set at the Treasury rate plus an amount adequate to cover administrative costs and probable losses. In 1984, the rate averaged around 14 percent.

The Administration proposes to eliminate the program's loan guarantees starting in 1986. These guarantees are for loans to diversify or modernize the operations of a firm affected by competition from foreign imports. Baseline guarantee commitments rise from \$17 million in 1986 to \$20 million in 1990.

TABLE 23. COMMERCE AND HOUSING CREDIT PROGRAMS BASELINE
(By fiscal year, in millions of dollars)

Program	1984 Actual	CBO Baseline Estimates					
		1985	1986	1987	1988	1989	1990
Direct Loan Obligations							
Rural Housing Insurance Fund (RHIF)	2,776	3,444	3,510	3,525	3,957	3,906	3,997
Federal Housing Admin. (FHA) Fund	457	318	322	339	351	365	382
Housing for the Elderly and Handi- capped Fund	666	600	623	649	676	705	734
Central Liquidity Facility (NCUA)	449	500	600	654	682	710	740
Federal Deposit Insurance Corporation (FDIC)	5658	180	150	300	300	300	300
Federal Savings and Loan Insurance Corporation (FSLIC)	656	90	148	140	140	140	140
Small Business Admin. (SBA)- Business Loan and Investment Fund	1,229	1,341	1,418	1,463	1,504	1,541	1,600
Other	<u>51</u>	<u>55</u>	<u>52</u>	<u>54</u>	<u>55</u>	<u>59</u>	<u>60</u>
Total	11,942	6,528	6,823	7,124	7,665	7,726	7,953
Primary Loan Guarantee Commitments							
Rural Housing Insurance Fund	30	25	20	6	4	2	2
FHA Fund	17,071	23,324	24,840	26,454	28,174	30,005	31,955
FSLIC	223	246	351	276	209	150	75
Federal Ship Financing Fishing Vessels	51	50	52	54	57	59	62

(Continued)

TABLE 23. (Continued)

Program	1984	CBO Baseline Estimates					
	Actual	1985	1986	1987	1988	1989	1990
Primary Loan Guarantee Commitments (Continued)							
Small Business Administration Pollution Control	11	150	157	164	170	178	185
Business Loan and Investment Fund	2,987	2,628	2,248	2,338	2,440	2,544	2,652
Other	<u>26</u>	<u>26</u>	<u>27</u>	<u>29</u>	<u>30</u>	<u>31</u>	<u>33</u>
Total	20,399	26,449	27,695	29,321	31,084	32,969	34,964
Financing Transactions							
RHIF Sale of Loan Assets to the FFB <u>a/</u>	5,020	4,307	1,946	2,274	2,421	3,234	3,821
RHIF Repurchase of Loan Assets from FFB	3,930	2,110	0	150	0	1,000	640
SBA Business Loan and Investment Fund Repurchase of Loan Assets from FFB	1	1	1	1	1	1	1
SBA Business Loan and Investment Fund Guarantees of Direct Loans made by FFB	478	622	650	678	706	736	767
Secondary Loan Guarantee Commitments							
Government National Mortgage Association	39,665	41,252	43,108	44,964	46,862	48,842	50,904

SOURCE: Congressional Budget Office.

- a. Agency loan asset sales are guaranteed by the agencies. These financing transactions are recorded as direct loans by the FFB to the agency and as guarantees of loan assets by the agency. Both transactions are for financing purposes and are not included in the direct and guaranteed loans to the public to avoid double counting.

TABLE 24. COMMERCE AND HOUSING CREDIT PROGRAMS: LOAN CHARACTERISTICS FOR FISCAL YEAR 1984

Program	Interest Rate (Percent)		Term (Years)		Subsidy as a Percent of Principal
	Average Government Loan	Estimated Private Loan	Average Government Loan	Estimated Private Loan	
Direct Loans					
Rural Housing Insurance Fund (RHIF)					
Farm labor housing	1.0	14.0	33	25	69.9
Home ownership	3.0	14.0	33	25	61.3
Rental housing	1.0	14.5	50	5	77.7
Other	1.0	16.2	20	15	62.4
Federal Housing Admin. (FHA)	12.9	13.2	30	30	1.1
Housing for Elderly and Handicapped	9.0	13.1	40	30	25.4
Small Business Admin. (SBA)					
Business Loan and Investment Fund	13.5	17.8	7	2	20.9
National Credit Union Administration	9.9	11.0	3	3	0.2
Guaranteed Loans					
FHA					
Single-family	12.9	13.1	30	30	1.1
Multi-family	13.5	13.9	40	15	3.5
SBA					
Pollution control	12.5	14.0	20	30	8.4
Business Loan and Investment Fund	13.0	17.8	9	2	23.0

SOURCE: Congressional Budget Office. Subsidy estimates are taken from Special Analysis Tables 11 and 12 and OMB backup materials.

TABLE 25. COMMERCE AND HOUSING PROGRAMS: IMPACT OF THE
PRESIDENT'S REQUEST RELATIVE TO THE CBO BASELINE
(By fiscal year, in millions of dollars)

President's Proposals	1986	1987	1988	1989	1990	Cumulative Five-Year Changes
Direct Loan Obligations						
Rural Housing Insurance Fund (RHIF)	-3,374	-3,523	-3,678	-3,834	3,996	-18,405
National Credit Union Administration (NCUA)	-50	-104	-132	-160	-190	-636
Housing for Elderly and Handicapped	-573	-629	-113	-118	-122	-1,555
Small Business Admin. Business Loan and Investment Fund	-898	-984	-1,168	-1,392	-1,561	-6,003
Other	<u>-26</u>	<u>12</u>	<u>109</u>	<u>124</u>	<u>244</u>	<u>463</u>
Total	-4,921	-5,228	-4,982	-5,380	-5,625	-26,136
Primary Guarantee Commitments						
SBA						
Pollution control	-157	-164	-170	-178	-185	-854
Business Loan and Investment Fund	-2,248	-2,338	-2,440	-2,544	-2,652	-12,222
Federal Housing Admin. (FHA)	7,397	8,385	8,522	8,591	8,587	41,982
Other	<u>-69</u>	<u>-72</u>	<u>-76</u>	<u>-73</u>	<u>-82</u>	<u>-377</u>
Total	5,423	5,811	5,836	5,791	5,668	28,529

(Continued)

Table 25. (Continued)

President's Proposals	1986	1987	1988	1989	1990	Cumulative Five-Year Changes
Subsidy Costs						
Direct Loans						
RHIF	-2,257	-2,357	-2,461	-2,565	-2,673	-12,313
Housing for Elderly and Handicapped	-146	-160	-29	-30	-31	-396
SBA Business Loan Investment Fund	<u>-189</u>	<u>-207</u>	<u>-245</u>	<u>-292</u>	<u>-1,561</u>	<u>-2,494</u>
Total	-2,592	-2,724	-2,735	-2,887	-4,265	-15,203
Guaranteed Loans						
SBA						
Pollution control	-13	-14	-14	-15	-16	-72
Business Loan and Investment Fund	-517	-538	-561	-585	-610	-2,311
FHA	<u>117</u>	<u>124</u>	<u>126</u>	<u>127</u>	<u>127</u>	<u>621</u>
Total	-413	-427	-449	-473	-498	-2,261
Outlays						
RHIF	-2,041	-3,105	-3,573	-4,007	-4,432	-17,153
SBA Pollution Control and Business Loan and Investment Fund	-719	-1,087	-1,071	-1,115	-472	-4,464
FHA	-322	-374	-428	-486	-548	-2,158

SOURCE: Congressional Budget Office.

FUNCTION 400: TRANSPORTATION

This function includes credit programs of the Department of Transportation that provide financial assistance for highway, rail, air, and water transportation. The CBO baseline estimate for 1986 direct loan obligations is \$170 million, while the estimate for guaranteed loans is \$309 million (see Table 26). The terms of loans under these programs are described in Table 27. Table 28 highlights the effect of the Administration's request on these programs relative to the CBO baseline.

Rail Programs

The improved financial situation for railroad companies has contributed to the proposal to eliminate railroad credit assistance programs after 1986. Direct loans for the Rail Service Assistance program were last made in 1984. Regular direct loans will end in 1985 for the Railroad Rehabilitation and Improvement program, but a small amount of direct loans by the Federal Financing Bank to guaranteed borrowers of the program may continue. The Administration has proposed that they be discontinued in 1986.

The Administration has also proposed that guaranteed loans by the Rail Service Assistance program be eliminated after 1986.

Highway Programs

The Highway Trust Fund will make less than \$500,000 in direct loans in 1985, after which credit assistance will end under this program.

The Right-of-way Revolving Fund makes no-interest cash advances to states to allow them to buy land in advance of highway construction. Baseline estimates are for \$52 million in direct loans in 1985, rising to \$61 million in 1990.

Shipping Programs

The Maritime Administration's Federal Ship Financing Fund makes direct and guaranteed loans. Direct loans under the program are largely a result of guaranteed loan default claims. In recent years, claims have been relatively

TABLE 26. TRANSPORTATION CREDIT PROGRAMS BASELINE
(By fiscal year, in millions of dollars)

Program	1984	CBO Baseline Estimates					
	Actual	1985	1986	1987	1988	1989	1990
Direct Loan Obligations							
Highway Trust Fund	27	a/	0	0	0	0	0
Rail Service Assistance	60	0	0	0	0	0	0
National Railroad Passenger Corp.	880	0	0	0	0	0	0
Railroad Rehabilitation and Improvement	48	18	3	3	3	3	3
Right-of-way Revolving Fund	26	50	52	55	57	59	61
Aircraft Purchase Guarantee Program	22	0	0	0	0	0	0
Federal Ship Financing Fund	127	228	115	85	60	60	60
Total	1,190	296	170	143	120	122	124
Guarantee Loan Commitments							
Rail Service Assistance	12	9	9	10	10	10	11
Federal Ship Financing Fund	177	300	300	300	300	300	300
Total	189	309	309	310	310	310	311
Financing Transactions ^{b/}							
Railroad Rehabilitation and Improvement							
Guarantees of direct loans made by FFB	6	2	3	3	3	3	3

SOURCE: Congressional Budget Office.

a. Less than \$500,000.

b. Agency loan asset sales are guaranteed by the agencies. These financing transactions are recorded as direct loans by the FFB to the agency and as guarantees of loan assets by the agency. Both transactions are for financing purposes and are not included in the direct and guaranteed loans to the public to avoid double counting.

high, reflecting the troubled financial state of the maritime industry. The Administration has proposed to increase control over guarantees by limiting the guaranteed loan volume through appropriations starting in 1986. The proposed limit would be \$900 million in each of the next five years. Actual expected guarantees are \$300 million per year.

TABLE 27. TRANSPORTATION CREDIT PROGRAMS LOAN CHARACTERISTICS FOR FISCAL YEAR 1984

Program	Interest Rate (Percent)		Term (Years)		Subsidy as a Percent of Principal
	Average Government Loan	Estimated Private Loan	Average Government Loan	Estimated Private Loan	
Direct Loans					
Federal Ship Financing Fund	13.1	17.4	10	3	9
Right-of-way Revolving Fund	0	12.9	10	20	42.8
Guaranteed Loans					
Federal Ship Financing Fund	13.9	15.9	20	10	7.9

SOURCE: Compiled by CBO using data from Special Analysis F Tables 11 and 12.

TABLE 28. TRANSPORTATION CREDIT PROGRAMS: IMPACT OF THE PRESIDENT'S REQUEST RELATIVE TO THE CBO BASELINE
(By fiscal year, in millions of dollars)

President's Proposals	1986	1987	1988	1989	1990	Cumulative Five-Year Changes
Direct Loans						
Railroad Rehabil- itation and Improvement	-3	-3	-3	-3	-3	-15
Right-of-way Revolving Fund	-2	-5	-7	-9	-11	-34
Primary Guarantee Commitments						
Rail Service Assistance	<u>a/</u>	-10	-10	-10	-11	-41

SOURCE: Congressional Budget Office.

a. Less than \$500,000.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

This function includes credit assistance for community development in the Department of Housing and Urban Development, area and regional development in the Departments of Commerce and Agriculture, disaster loans of the Small Business Administration, and assistance to Indian tribes in the Department of the Interior. For 1986, the CBO baseline projects \$1.5 billion in new direct loan obligations, a decrease of \$189 million from 1985. New loan guarantee commitments are projected to be \$176 million in 1986. The credit activity in this function for 1984 through 1990 is summarized in Table 29.

The Administration's request for new direct loan obligations as estimated by CBO, is \$415 million in 1986. The Administration has proposed eliminating virtually all of the loan guarantee programs in this function in 1986, a proposal that would reduce the baseline loan guarantees by \$904 million between 1986 and 1990.

Rural Development Insurance Fund (RDIF)

This revolving fund the smallest of the three major Farmers Home Administration funds and finances three credit programs: direct loans for water and waste disposal; direct loans for community facilities such as fire stations, town halls, and social centers; and loan guarantees to facilitate commercial and industrial development. Loan obligations are currently running at almost \$500 million annually; new commitments to guarantee are less than \$200 million per year. Direct loans are made at rates as low as 5 percent for 40 years. The average RDIF loan subsidy is 20 percent of principal. For guarantees, the subsidy is 8 percent of the principal amount (see Table 30).

The President proposes to terminate RDIF credit programs, except for \$50 million in water and waste disposal loans in 1986, and to transfer responsibility for these activities to the Community Development Block Grant program. If adopted, this proposal would reduce total assisted lending by \$3.4 billion (see Table 31); Farmers Home Administration credit subsidies would be reduced by \$577 million.

Community Development Block Grant Guarantees

The Secretary of Housing and Urban Development guarantees the debt securities of Community Development Block Grant (CDBG) recipients to finance

TABLE 29. COMMUNITY AND REGIONAL DEVELOPMENT CREDIT PROGRAMS
BASELINE (By fiscal year, in millions of dollars)

Program	1984	CBO Baseline Estimates					
	Actual	1985	1986	1987	1988	1989	1990
Direct Loan Obligations							
Rural Development Insurance Fund (RDIF)	412	711	476	496	656	622	562
Community development grants, FFB direct loans	87	115	120	125	131	136	142
Rural Telephone Bank	143	185	193	202	210	219	220
Housing Rehabilitation Loan Fund	86	80	89	92	99	106	113
Small Business Admin. Disaster Loan Fund	314	600	600	1,069	1,115	1,159	1,207
Other	<u>30</u>	<u>44</u>	<u>43</u>	<u>49</u>	<u>51</u>	<u>52</u>	<u>54</u>
Total	1,082	1,735	1,521	2,033	2,262	2,294	2,298
Loan Guarantee Commitments							
RDIF	124	150	157	164	170	178	185
Economic Development Revolving Fund	11	---	---	---	---	---	---
Other	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
Total	154	169	176	183	189	197	204
Financing Transactions							
RDIF Sale of Loan Assets to the FFB <u>a/</u>	1,300	1,328	502	246	418	361	586
RDIF Repurchase of Loan Assets from the FFB	980	595	30	---	---	---	295
Community Development Block Grant Guaranteed Loans Financed as Direct Loans by the FFB	124	150	157	164	170	178	185

SOURCE: Congressional Budget Office.

- a. Agency loan assets are guaranteed by the agencies. These financing transactions are recorded as direct loans by the FFB to the agency and as guarantees of loan assets by the agency. Both transactions are for financing purposes and are not included in the direct and guaranteed loans to the public to avoid double counting.

the acquisition of property and preparation of sites in anticipation of CDBG development. The guarantees are financed by and converted to direct federal loans by the Federal Financing Bank at a rate of 1/8 of 1 percent above the Treasury rate. The loans are largely repaid from the CDBG grants. Because the loan is made at approximately the Treasury rate and repaid with government funds, the subsidy is minimal. OMB estimated the subsidy to be 1.6 percent of principal for funds committed in 1984. The Administration has proposed the elimination of the program. Over the five-year period 1986-1990, baseline direct loans would be reduced by \$654 million, outlays by \$459 million, and subsidy costs by \$10 million.

Rural Telephone Bank

The Rural Telephone Bank (RTB) is an off-budget entity that was established in 1971 by Public Law 92-12 to provide a supplemental source of financing for the Rural Electrification Administration's telephone program. The RTB makes direct loans, charging an interest rate based on its average cost of money. The CBO baseline estimate for RTB new direct loan obligations is \$193 million in 1986, increasing to \$220 million by 1990. The Administration proposes to phase out the RTB through 1989 when new lending would be terminated. Baseline RTB obligations would be reduced by \$582 million, subsidy costs by \$165 million, and outlays by \$393 million over the five-year period 1986-1990.

Rehabilitation Loan Fund

This fund finances rehabilitation of residential and commercial properties. In the past few years, these loans have been financed from carryover balances, loan repayments, and other program income. CBO's baseline projections include obligations of approximately \$100 million annually for the program. The Administration has proposed the elimination of the program. If this occurs, subsidy costs would be reduced by \$192 million and outlays by \$293 million over the projection period.

Small Business Administration Disaster Assistance

The Small Business Administration makes direct loans to assist businesses and property owners to recover from natural disasters under Section 7(b) of the Small Business Act, as amended.

The CBO baseline projects new direct loan obligations of \$600 million in 1986, increasing to \$1.2 billion by 1990. Baseline estimates increase